CPA Evolution: Proposed CPA Licensure Model (December 2019)

Background

The CPA Evolution initiative aims to transform the CPA licensure model to recognize the rapidly changing skills and competencies the practice of accounting requires today and will require in the future. It is a joint effort of the National Association of State Boards of Accountancy (NASBA) and the American Institute of Certified Public Accountants (AICPA).

In 2018, NASBA and the AICPA sought feedback on an initial licensure concept from stakeholders throughout the profession and formed a working group of stakeholder representatives to provide further perspective. After reviewing this input, our two organizations developed guiding principles to inform the creation of a new licensure model.

We sought feedback on these principles from stakeholders across the profession, and more than 2,000 of you responded. Thanks to your valuable insights, we are one step closer to a solution for evolving CPA licensure.

> **Guiding principles, summarized**
>
> 1. We must adapt quickly
> 2. Technological expertise is essential
> 3. Licensure requires rethinking
> 4. We must expand our view of the CPA candidate
>   - All must demonstrate core competencies
> 5. Change should be rapid yet deliberate

What We Heard From You

Support for the need to change the CPA licensure model
This was the number one comment we heard from you. Most of you also supported a need for greater emphasis on technology skills and knowledge as a prerequisite for licensure. We also heard that evolving licensure would bring needed skills to the profession, position the CPA profession for the future and protect the public interest.

Newly licensed CPAs should all demonstrate strong common core competencies
You told us licensure should be built around a strong core of accounting, auditing, tax and technology.

Questions about the specifics of implementing a new licensure model
You asked questions such as how core CPA knowledge would be defined, how education requirements might be modified and how licensure changes could be effected in the current legislative environment.

This should be about more than technology
The original driver behind CPA Evolution was the impact of technology on the profession. Technological innovations are creating new opportunities for CPAs, both in terms of the types of services they perform and how those services are delivered.

From your feedback, we heard an underlying theme that, while greater technological expertise should be required for licensure, there are other factors disrupting the profession as well. You told us the effort to evolve the licensure model should not solely be focused on attracting those with technological and analytical skills to become CPAs; it should be about ensuring the CPA license remains fit for purpose to assure continued public protection. We needed to think bigger and approach this challenge with a different mindset.

> **Body of knowledge for newly licensed CPAs growing rapidly**
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> *Compared to 1980, today there are:*
>
> **3X** as many pages in the Internal Revenue Code
> **4X** as many accounting standards
> **5X** as many auditing standards

The Changing Profession

Stakeholder feedback, results of the Uniform CPA Examination Practice Analysis and other research show that the body of knowledge required of newly licensed CPAs is growing rapidly.

Additionally, procedures historically performed by newly licensed CPAs are being automated, offshored or performed by paraprofessionals. Now, entry-level CPAs are performing more procedures that require deeper critical thinking, problem-solving and professional judgment. Responsibilities that were traditionally assigned to more experienced staff are being pushed down to the staff level.

For more information, visit EvolutionofCPA.org

As a result, newly licensed CPAs need to know more than ever before to meet the needs of practice. To protect the public, the CPA licensure model must reflect these changes.

However, the Examination and education requirements can only cover so much information in our current licensure model. As the knowledge required of newly licensed CPAs continues to increase over time, we can:

- Stretch the Exam and education requirements to cover a greater range of material with less depth, which would water down the requirements for licensure;
- Expand the number of Exam and curriculum hours as the body of knowledge continues to grow, which would increase barriers to entry for the profession and ultimately prove unsustainable;
- Or find an alternative solution.

Proposed Model

NASBA and the AICPA carefully reviewed all of the feedback we received, studied other professions' licensure models and considered multiple options for updates to the licensure model before developing the below approach. We believe this approach is responsive to stakeholder input while still propelling the profession into the future. **This is a draft licensure model and is not considered final.**
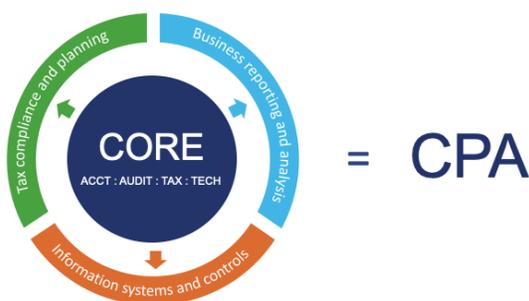
Similar to the approach of the Professional Engineer (PE) licensure model, we recommend a core + disciplines licensure model. The model starts with a deep and strong core in accounting, auditing, tax and technology that all candidates would be required to complete. Then, each candidate would choose a discipline in which to demonstrate deeper skills and knowledge. Regardless of chosen discipline, this model leads to full CPA licensure, with rights and privileges consistent with any other CPA. A discipline selected for testing would not mean the CPA is limited to that practice area.

This proposed model:

- Enhances public protection by producing candidates who have the deep knowledge necessary to perform high-quality work, meeting the needs of organizations, firms and the public
- Is responsive to feedback, as it builds accounting, auditing, tax and technology knowledge requirements into a robust common core
- Reflects the realities of practice, requiring deeper proven knowledge in one of three disciplines that are pillars of the profession
- Is adaptive and flexible, helping to future-proof the CPA as the profession continues to evolve
- Results in one CPA license

What's Next

Through the end of 2019 and into 2020, we'll gather more feedback on this approach from stakeholders and build out more details of the model. We aim to finalize an approach for an updated CPA licensure model in summer 2020. After the approach is finalized, we will establish implementation plans for what is expected to be a multi-year effort.

CPA Evolution is still a work in progress. NASBA and the AICPA will continue to work collaboratively with stakeholders from across the profession to develop a solution that best meets the needs of the profession, organizations, the regulatory community and the public.

If you'd like to share your thoughts on the proposed licensure model, you can email **Feedback@EvolutionOfCPA.org**.

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